California Public Utilities Commission

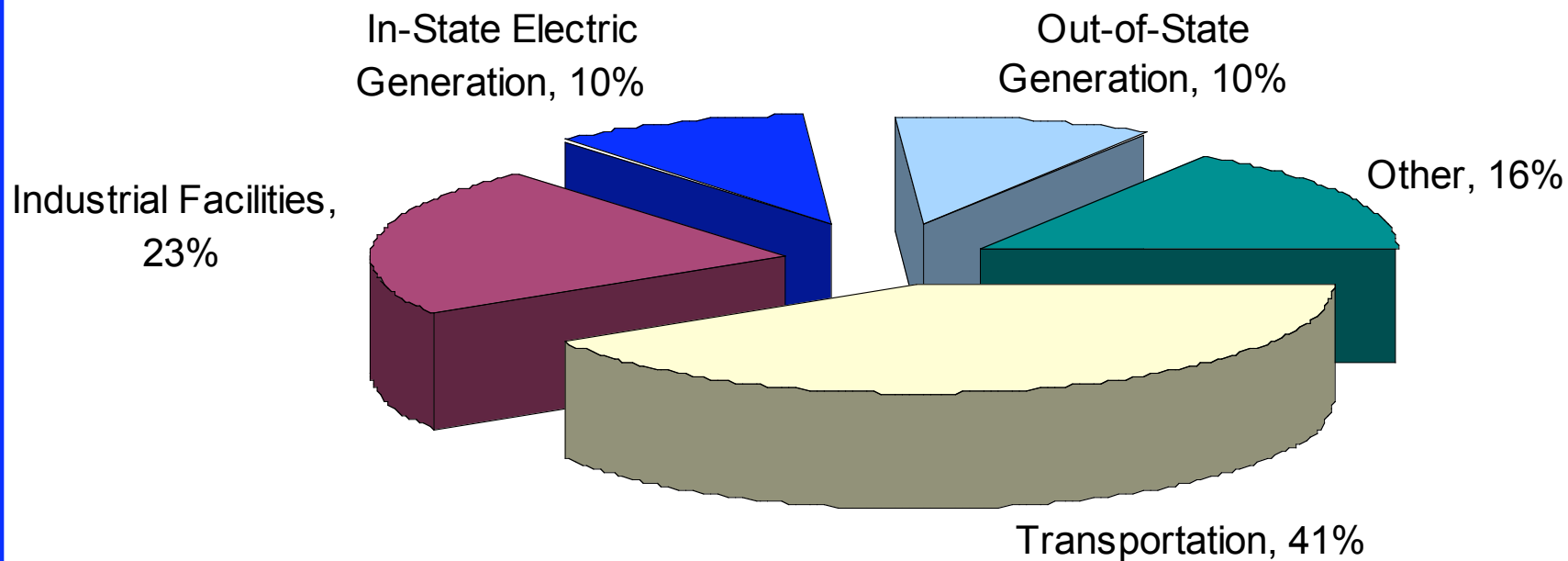# CPUC Climate Policies and California's GHG Emissions Reduction Goals

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Sources of California's Greenhouse Gas Emissions

In-State Electric Generation, 10%

Out-of-State Generation, 10%

Industrial Facilities, 23%

Other, 16%

Transportation, 41%

Source: CA Energy Commission

CPUC Policy Priorities

- **Energy Action Plan I & II**
- **The Loading Order for new resources**
- **Greenhouse Gas (GHG) Regulation**
- **Research, Development and Demonstration**
- **California Climate Action Registry**

The "Loading Order" sets priorities for utilities' acquisition of new resources

Clean and Efficient Fossil-fired Energy

Renewable Energy

Efficiency and Demand Response

Climate Action Team projections of GHG Reductions from CPUC Policies

	2010	2020
• IOU EE programs	4.0	8.8
• Additional IOU EE	NA	6.3
• Accelerated RPS	5.0	11.0
• California Solar Initiative	0.4	3.0
• IOU CHP Initiative	1.1	4.4
• *IOU Electricity Sector carbon policy**	*1.6*	*2.7*

*Preliminary Estimate

CPUC Carbon Policy: Initial Steps

- **2004: Environmental Risk Adder**
  - Utilities must add in $8/$CO_2$ for carbon based resources when evaluating new supplies.

- **2005: GHG Performance Standard**
  - New long term base-load supplies must meet or beat GHG emissions levels of CCGT.
  - Effectively requires new coal-fired generation to include capacity to capture and store CO_2 safely.

Load-Based GHG Cap

- Load-based cap will be applied to all CPUC-jurisdictional LSEs.

- Initially CO2, eventually other Kyoto gases

- Includes emissions from imported electricity

- Seeking compatibility with
  - Multi-sector cap proposed in CAT report
  - RGGI initiative
  - EU Emissions Trading System

Implementation Issues

– Reporting standards and requirements

– Establishment of baseline and cap

– Allocation of allowances

– Limiting leakage

– Flexible compliance mechanisms
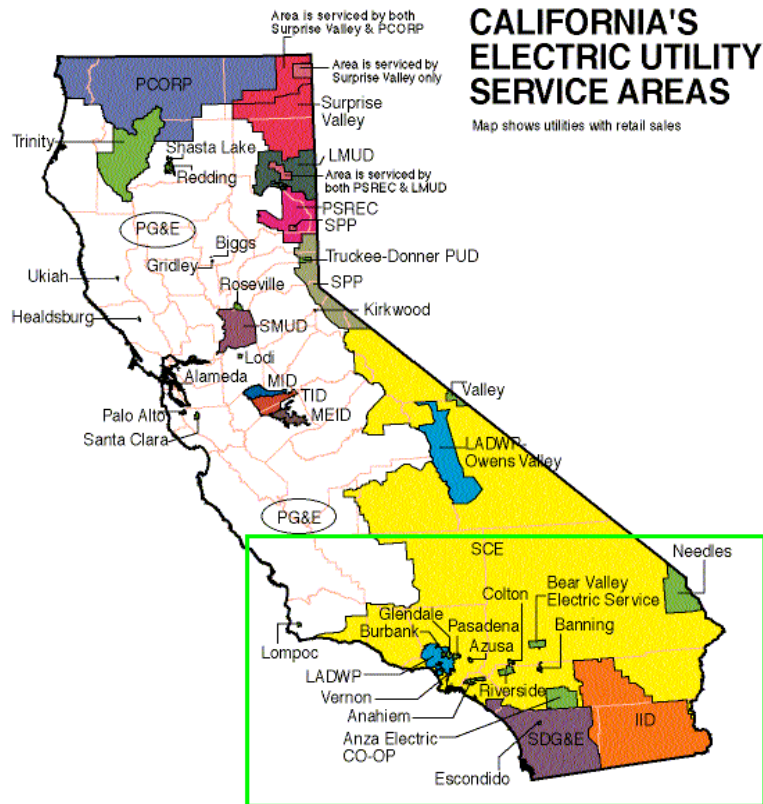
- Banking/Borrowing

- Offsets

- Trading

Challenge #1: Limiting Leakage

Challenge #2: a balkanized grid

CALIFORNIA'S ELECTRIC UTILITY SERVICE AREAS
Map shows utilities with retail sales

- CPUC jurisdiction covers about 80% of electricity loads.

- Municipal utilities serve much of the balance

- AB32 would cap GHG emissions from IOUs, ESPs, and munis